

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 ISO-00 COME-00 INT-05 OMB-01

TRSE-00 GSA-01 CIAE-00 INR-07 NSAE-00 STR-04 TAR-01

FRB-03 CIEP-01 CEA-01 SIL-01 LAB-04 DODE-00 PA-01

USIA-06 PRS-01 SP-02 /065 W
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R 191045Z JUN 75

FM AMCONSUL PARAMARIBO

TO SECSTATE WASHDC 2044

INFO AMEMBASSY THE HAGUE

AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

AMEMBASSY SANTO DOMINGO

AMCONSUL CURACAO

AMCONSUL MARTINIQUE

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EO 11652: NA

TAGS: EMIN, NS

SUBJ: FURTHER ALCOA RETRENCHMENT

REF : A. PARAMARIBO 0201; B. PARAMARIBO 0170; C. PARAMARIOB 0262

1. REFLECTING REDUCED ALUMINUM DEMAND, ALCOA HAS ORDERED SURALCO, WHOLLY OWNED SUBSIDIARY, TO CUT BACK BAUXITE PRODUCTION BY ADDITIONAL TEN PERCENT. ALUMINA AND ALUMINUM OUTPUT ALSO TO DROP. WITH NEW DECREASE, REDUCTION THUS FAR IN 1975 IS MINIMUM TWENTY-FIVE PERCENT, LOWERING BY AT LEAST \$12.5 MILLION THE \$50 MILLION IN INCREASED BAUXITE REVENUES EXPECTED BY GOS AT BEGINNING OF YEAR. SURALCO EXPECTS PRODUCE ABOUT THREE MILLION TONS OF ORE THIS YEAR, VERSUS 4.5 MILLION IN 1974.

2. MANAGING DIRECTOR OF SURALCO BUSTION HAS INFORMED MINPRES ARRON PERSONALLY AND IN WRITING OF NEW REDUCTION, EXPLAINING
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INVENTORIES REACHING SATURATION POINT AND THAT CUT APPLIES ALSO

TO OPERATIONS IN JAMAICA AND DOMINICAN REPUBLIC. ALTHOUGH SURALCO HAS NOT YET LAID OFF WORKERS, COMPANY HAS WARNED GOS REDUNDANT EMPLOYEES CANNOT BE KEPT ON MUCH LONGER AND THAT "NUMBER OF WORKERS MUST BE ADJUSTED TO LEVEL OF PRODUCTION." ALCOA REPRESENTATIVE WAS TO SUBMIT FOR GOS APPROVAL TODAY COMPANY'S PROPOSALS IN RESPONSE TO GOVERNMENT'S REQUEST THAT SURALCO ASSIST IN INFRASTRUCTURE PROJECTS, E.G. ROADS, BRIDGES.

3. SURALCO HAS NOT YET REQUESTED LOWER PRODUCTION LEVY, AWAITING FINAL GOS REPLY TO BILLITON'S PLEA FOR RELIEF (REFTEL), AND IS IN STRONGER POSITION THIS RESPECT AS COMPANY NOT DEPENDENT ON LONG-TERM SUPPLY CONTRACTS.

4. BUSTION TELLS ME GOS RESPONSE TO BAD NEWS ONE OF RESIGNATION AND TACIT ACCEPTANCE, SO FAR. ARRON'S ONLY REPLY WAS, "LET'S SEE WHAT WE CAN WORK OUT." PRESS HAS DOWNPLAYED STORY.

5. COMMENT: LOW-KEY REACTION TO NEW CUT BACKS IS IN CONTRAST TO THAT FOLLOWING FIRST RETRENCHMENT, WHICH WAS GREETED WITH ANGER AND DISBELIEF BY GOS LEADERS AND MEDIA. THERE NOW APPEAR TO BE GENERAL UNDERSTANDING, AS IN JAMAICA, THAT REDUCTIONS UNAVOIDABLE CONSEQUENCE OF DEPRESSED MARKET CONDITIONS OVER WHICH COMPANIES HAVE NO CONTROL.
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Message Attributes

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